

**Application for Third Modification  
of  
Federal Coal Lease U-06039**

**By  
PacifiCorp, an Oregon Corporation  
c/o Interwest Mining Company  
One Utah Center, Suite 2100  
201 South Main Street  
Salt Lake City, Utah 84140-0021**

**March 16, 2001**

File in:

☐ Confidential

☐ Shelf

☒ Expandable

Refer to Record No.

Date

In C 0150018, 2001, *Interwest Mining*

For additional information

0026

**COPY**

RECEIVED

MAR 19 2001

DIVISION OF  
OIL, GAS AND MINING

K. GRUBAUGH-LITTLE



One Utah Center  
201 South Main Street, Suite 2000  
Salt Lake City, Utah 84140-0020  
(801) 220-4616 • FAX (801) 220-4725

A Subsidiary of PacifiCorp

HAND DELIVERED

March 16, 2001

Sally Wisely  
State Director  
United States Department of the Interior  
Bureau of Land Management  
Utah State Office  
324 South State, Suite 301  
Salt Lake City, Utah 84111-2303

*Copy letter  
Only to Mary Ann  
Damon  
[Redacted]  
[Redacted]  
Plan to DOG in by August 2001*

**RE: Application for Third Modification of Federal Coal Lease U-06039, East Mountain Logical Mining, Deer Creek Coal Mine, Emery County, Utah**

Dear Ms. Wisely:

On behalf of PacifiCorp, the lessee of federal coal lease U-06039, enclosed in triplicate is an application to modify the referenced lease for the third time pursuant to 43 CFR Subpart 3432 to include an additional 65.7 acres of unleased federal coal lands in Emery County, Utah. This third modification is necessitated for access and contiguity from the applicants Deer Creek Mine into the Mill Fork State Lease (ML-48258) acquired by PacifiCorp in March 1999. The area of modification is adjacent to the northwestern boundary of U-06039 and southeastern boundary of the Mill Fork State Lease, both leased by PacifiCorp.

As can be seen on the enclosed map, at the time of delineation of the Mill Fork Lease there was left for whatever reasons, one lot width or ~750' gap, from allowing the boundaries of Federal Lease U-06039 and the present State Lease ML-48258 to become contiguous to each other. With the successful awarding of the competitive bid of the Mill Fork State Lease ML-48258 to PacifiCorp on March 30, 1999, the need for this lease modification is required for legal right of entry into the State Lease.

At this present time, development of the 6th North Mains is progressing within the Hiawatha seam of the North Rilda Canyon area of the Deer Creek Mine. From exploration drilling and evaluation, it is anticipated to develop a 5 or 6 entry support pillar set of mains angled off of 6th North in a northwesterly direction across the property applied for in this lease modification and enter into the Mill Fork State Lease ML-48258 in the southeast corner. The exact orientation or location of the development is not known due to additional drilling and evaluation of geology and mine planning that will take place in the coming year. However, the property applied for in this modification will give enough flexibility to adapt to the above mentioned considerations.

File in:

0150018.2001 Incoming

Refer to:

☐ Confidential  
☐ Shelf  
☒ Expandable

Date 03/16/01 For additional information

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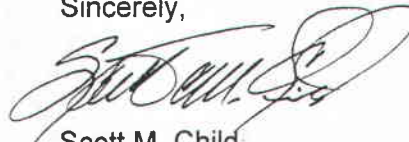
This third modification to Federal Lease U-06039 will bring the total modified acreage to 158.67 acres, which is under the cap of 160 acres per federal lease. This lease modification is very vital to the ongoing work of the timely development of the Mill Fork State Lease. PacifiCorp is presently working to deliver a mine permit application to the Utah Division of Oil, Gas & Mining by August of 2001 and an approved right of entry to this lease is necessary for that permit approval. + \*

We have met with members of your staff from both the State and Price BLM Offices to discuss the issues associated with access into the Mill Fork State Lease and the recent denial of the underground right-of-way application dated November 21, 2000. Copies of this application are being forwarded directly to them and the other agencies to help expedite the review process.

We will forward to your office within the next few days (1) a coal seam isopach map (Hiawatha seam) for this modification area inclusive of the Mill Fork Lease area, and (2) a check in the amount of \$250.00 to cover the required filing fee in accordance with 43 CFR 3473.2-1(a)(1).

If there are any questions regarding this application please make immediate contact with myself at 801-220-4612 or Carl Pollastro of our mine operator, Energy West Mining Company at 435-687-4701. Time is of the essence and your prompt attention to this matter is greatly appreciated.

Sincerely,



Scott M. Child  
Manager, Lands and Regulatory Affairs

Enclosures

SMC\WEST\UTBLM2001-02.wpd

cc: IMC w/copy encl. - D. Jense, B. King, S. Kochevar  
EWMC w/copy encl. - K. Sinsel, C. Pollastro, L. LaFrentz, C. Semborski  
BLM Price, w/copy encl. - R. Manus, T. Rassmussen, S. Falk  
USFS Price w/copy encl. - C. Reed  
SITLA w/copy encl. - T. Faddies  
DOGM w/copy encl. - P. Grubaugh-Littig

**Application for Third Modification  
of Federal Coal Lease U-06039  
Deer Creek Coal Mine, Emery County, Utah**

**1.0    Introduction**

This lease modification application for unleased federal coal is submitted to the authorized officer of the Bureau of Land Management (BLM), Utah State Office, in accordance with the applicable rules and regulations set forth within title 43 CFR Subpart 3432.

The lease modification applicant is:    **PacifiCorp**  
   **c/o Interwest Mining Company**  
   One Utah Center, Suite 2100  
   201 South Main Street  
   Salt Lake City, Utah 84140-0021

**2.0    Application § 3432.1**

(a)    The applicant is the current lessee of record for federal coal lease U-06039 and hereby seeks to modify said lease for the third time to include contiguous coal lands or coal deposits consisting of 65.7 acres. Federal coal lease U-06039 was originally issued on May 1, 1953 consisting of 1360.00, readjusted effective May 1, 1993 and was previously modified effective May 16, 1995 to include 42.97 acres, then containing a total of 1,402.97 acres combined. It was readjusted a second time effective February 11, 1999 to include 50.0 acres now containing a total of 1,452.97 acres. Upon acceptance and issuance of this third modification, the total lease would contain 1,518.67 acres. All three lease modifications combined equal 158.67 acres, thus not to exceed the modified acreage

limitation of 160 acres as set forth in 43 CFR 3432.1(a).

(b) The area of lease modification is described as follows and as shown on the enclosed 8½" x 11" map:

T. 16 S., R. 7 E. SLM

Section 19	Lot 2	22.87 acres
	Lot 3	22.83 acres
	W½SW¼NE¼	20.00 acres
<hr/>		
Total lease modification acreage		65.70 acres

Subsurface ownership:  
(All Minerals)

U.S. Department of the Interior  
Bureau of Land Management  
Utah State Office  
324 South State Street  
Salt Lake City, Utah 84111-2303

Surface ownership:  
(All)

U.S. Forest Service  
Manti-LaSal National Forest  
Price District  
599 West Price River Drive  
Price, Utah 84501

This modification is necessitated to provide the following:

1. Continuity between the existing lease (U-06039) and the Mill Fork State Lease (ML-48258),
2. Legal right of entry to the Mill Fork State Lease (ML-48258),
3. Access with developmental main entries into the Mill Fork State Lease (ML-48258), and
4. Potential increased coal recovery in an area which would otherwise be bypassed.

The two leases (ML-48258 and U-06039) are separated by the width of the lots applied for (~750') and will connect the lease boundaries to allow legal right of entry. It is planned to

develop a set of main entries off of the 6th North Mains in the Hiawatha seam of the Deer Creek Mine in a northwesterly direction. The entries would be at an angle to intercept the property applied for in this lease application and allow entrance into the Mill Fork State Lease (ML-48258) in the southeast corner (see enclosed 8½" x 11" map). The exact orientation of these mains is not known at this time due to seam thickness and quality and orientation to the 6th North Mains. However, by modifying the lease to include the 65.7 acres, the flexibility to orient the mains to accomplish entry in the Mill Fork State Lease can be finalized as other exploration, geologic or mine planning information is gathered. At present, the main entries that will be developed on this lease modification property will be a 5 or 6 entry support pillar configuration. The final layout of these entries would then determine any potential for additional coal recovery.

This modification would be advantageous and beneficial to the interests of the United States because it:

1. Allows mining of coal not logically accessed and recovered by any other operations or means and allows for potential recovery of coal resource which would otherwise be bypassed.
2. Creates a contiguous property and allows legal right of entry between two leases owned by the same company.
3. Provides additional revenues to the United States in the form of annual rentals and production royalties.
4. Provides a logical way to link LMU's and provide for continued operations.

### **3.0 Availability § 3432.2**

(a)(1) The applicant feels that the lease should be modified based upon its own merits and taking into consideration the items listed above. Furthermore, the criteria set forth

under this subsection has been met and serves the best interests of the United States.

(a)(2) There is no logical competitive interest based upon utilization of the lands or mining of the deposits because:

1. The applicant is the lessee of record holding the federal leases adjacent to the east and west sides of the modification area.
2. The modification is so small in nature that it cannot represent an economic venture based on development of the property.
3. There is no other nearby operation which could economically mine this area.
4. The only logical access is from the applicant's Deer Creek Mine and adjacent leases.

(a)(3) Due to the isolation on the east and west side by the same owner and the coal thickness and quality severely declining on the south and somewhat on the north, the likelihood of leasing this parcel through competitive solicitation is highly remote and unlikely. This parcel cannot logically be mined or developed as part of another operation or any potential new operation. There is no other operation in the area that could economically access this area. It's only viable purpose at this time is for access to connect the two leases. Truly, during the delineation of the Mill Fork Lease Tract, the two lease should have been placed adjacent to one another to avoid this modification at this time. This modification is required to rectify that oversight.

(b) Coal deposits underlying this parcel can only be mined by underground mining techniques due to the depth of the overburden and a U.S. Forest Service stipulation. Any other method would be precluded.

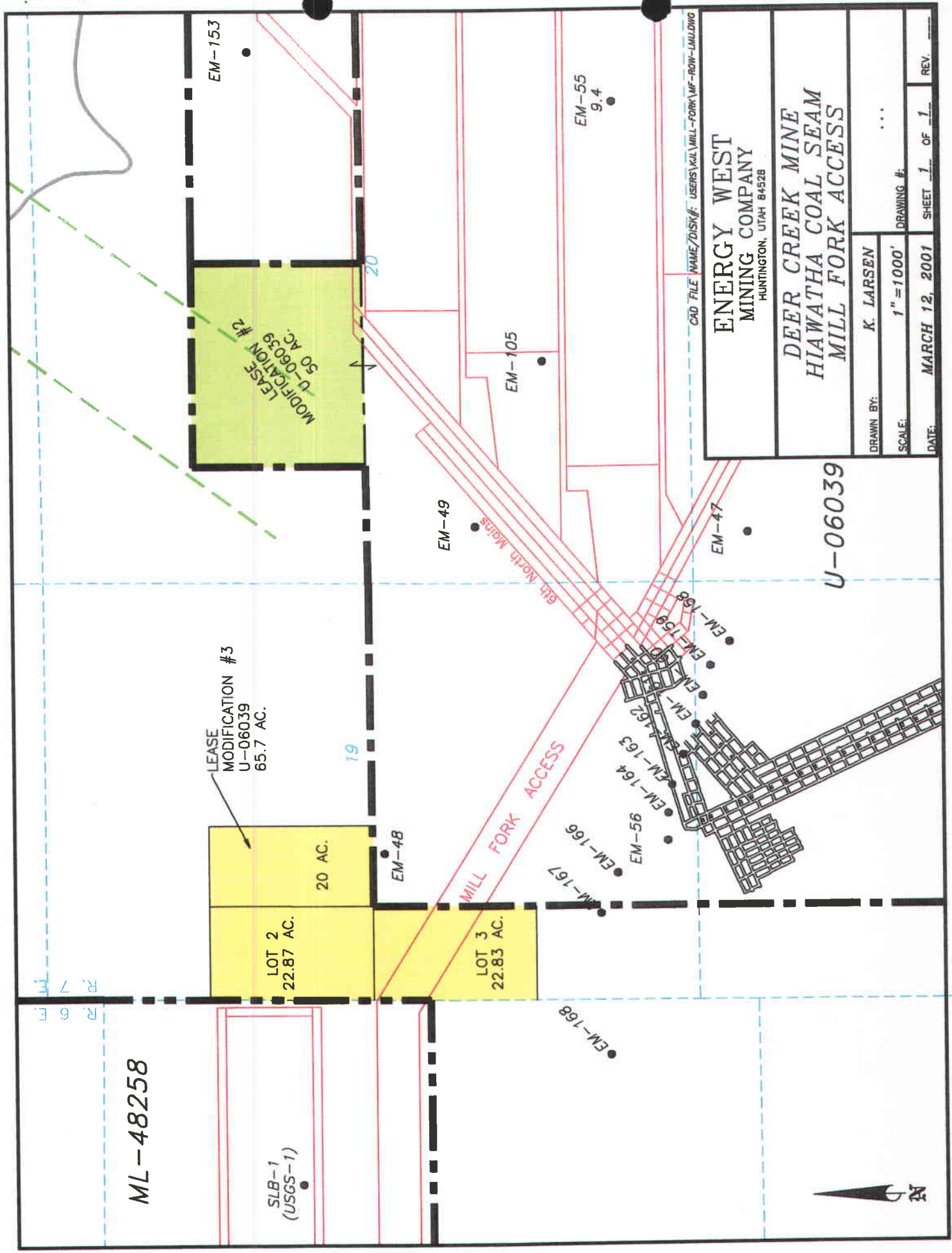
(c) Applicant requests the lands applied for lease modification be added to applicant's existing federal lease U-06039 without competitive bidding. Due to the uncertainty of the

amount of recoverable coal within the proposed modification area, applicant commits compensation to the United States of the fair market value (as compensated in the prior modification) by paying a rate of \$0.25 per ton for the actual tonnage produced from within the modification area, in addition to the 8% federal royalty rate. Applicant feels the production royalty of 8%, plus the additional \$0.25 per ton together with the annual rental of \$3.00 per acre per year (as required by lease U-06039) would be just compensation for said lands and coal reserves, which would otherwise be lost or bypassed.

#### **4.0 Terms and Conditions § 3432.3**

- (a) The terms and conditions of federal lease U-06039, of which the applicant proposes to modify, were readjusted effective May 1, 1993 and subsequently modified effective May 16, 1995 and February 11, 1999.
- (b) Upon applicant's review and acceptance of the lease terms and conditions of the modified lease, Lessee/Applicant will file written notice of acceptance with the BLM. At such time, it is the intent of the Lessee upon final modification of said lease, to include this modified area into the East Mountain Logical Mining Unit (LMU) and adjust the LMU performance bond accordingly to include the additional lands.
- (c) To assist the BLM in addressing compliance with the procedures and standards set out in 43 CFR § 3425.3, applicant is prepared to provide any and all applicable data from its files to address the environmental assessments in the area including mining suitability, cliff escarpment, surface impact and hydrologic studies. Attached are copies of various environmental and decision documents associated with recent Deer Creek Mine permitting actions involving adjacent federal coal leases U-06039 and U-024317.





CAD FILE NAME/DISK# : USERS\KUL\MILL-FORK\MF-ROW-LML.DWG

ENERGY WEST  
MINING COMPANY  
HUNTINGTON, UTAH 84528

DEER CREEK MINE  
HIAWATHA COAL SEAM  
MILL FORK ACCESS

DRAWN BY: K. LARSEN

SCALE: 1" = 1000'

DATE: MARCH 12, 2001

SHEET 1 OF 1

REV.

### List of Attachments

1. Latest Modified Federal Coal Lease U-06039, effective 2/11/99.
2. DOGM Permit # ACT/015/018 Deer Creek Mine to Include Northern Rilda Canyon Leases, Dated 7/15/97.
3. Correspondence from BLM Price Office to DOGM dated 7/16/97 - R<sup>2</sup>P<sup>2</sup> revisions for the Deer Creek Mine Permit Expansion into the North Rilda area were technically complete and complies with MLA of 1920, recommending approval of Deer Creek Mine permit expansion.

**Application for Third Modification of  
Federal Coal Lease U-06039  
By PacifiCorp March 16, 2001**

## **ATTACHMENT 1**

**Modified Federal Coal Lease U-06039  
Effective 2/11/99**

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Serial No. UTU-06039

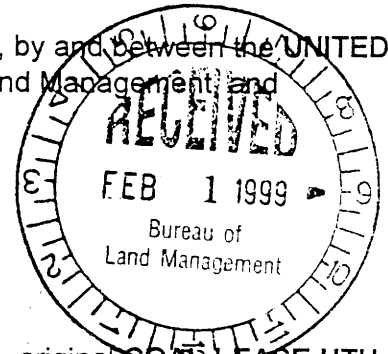
MODIFIED COAL LEASE

Date of Lease: May 1, 1953

PART I.

THIS MODIFIED COAL LEASE is entered into on FEB 1 1999, by and between the UNITED STATES OF AMERICA, hereinafter called the Lessor, through the Bureau of Land Management, and

PacifiCorp  
201 South Main, Suite 2<sup>0</sup>00  
Salt Lake City, Utah 84140



hereinafter called Lessee.

This modified lease shall retain the effective date of May 1, 1953, of the original COAL LEASE UTU-06039, and is effective for a period of 20 years therefrom, and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to readjustment of lease terms at the end of the 20th lease year (September 1, 1976), and each 10-year period thereafter.

Sec. 1. This lease is issued pursuant and subject to the terms and provisions of the: (NOTE: Check the appropriate Act or Acts.)

☒ Mineral Lands Leasing Act of 1920, as amended, 41 Stat. 437, 30 U.S.C. 181-287, hereinafter referred to as the Act;

☐ Mineral Leasing Act for Acquired Lands of 1947, 61 Stat. 913, 30 U.S.C. 351-359;

and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions herein.

Sec. 2. Lessee as the holder of Coal Lease UTU-06039, issued effective May 1, 1953, was granted the exclusive right and privilege to drill for, mine, extract, remove or otherwise process and dispose of the coal deposits in, upon, or under the lands described below as Tract 1.

The Lessor in consideration of fair market value, rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants and leases to Lessee the exclusive right and privilege to drill for, mine, extract, remove, or otherwise process and dispose of the coal deposits in, upon, or under the lands described below as Tract 2.

Tract 1: T. 16 S., R. 6 E., SLM, UT  
Sec. 25, E2SESE.  
T. 16 S., R. 7 E., SLM, UT  
Sec. 19, SE;  
Sec. 20, S2;  
Sec. 29, N2, SW, W2SE;  
Sec. 30, lot 4, E2.

Tract 2: T. 16 S., R. 7 E., SLM, UT  
Sec. 20, SENW, E2E2SWNW.

Emery County, Utah

containing 1,452.97 acres, more or less, together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

## Part II. TERMS AND CONDITIONS

**Sec. 1.(a) RENTAL RATE** - Lessee shall pay Lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of \$3.00 per acre for each lease year.

**(b) RENTAL CREDITS** - Rental shall not be credited against either production or advance royalties for any year.

**Sec. 2.(a) PRODUCTION ROYALTIES** - The royalty shall be 8 percent of the value of the coal as set forth in the regulations. Royalties are due to Lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues.

**(b) ADVANCE ROYALTIES** - Upon request by the Lessee, the authorized officer may accept, for a total of not more than 10 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the Lessee requests approval to pay advance royalties in lieu of continued operation.

**Sec. 3. BONDS** - Lessee shall maintain in the proper office a Logical Mining Unit bond in the amount of \$3,253,000. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

**Sec. 4. DILIGENCE** - This lease achieved diligent development December 23, 1986, and is subject to the conditions of continued operation. Continued operation may be excused when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the Lessee. The Lessor, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension.

The Lessor reserves the power to assent to or order the suspension of the terms and conditions of this lease in accordance with, inter alia, Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

**Sec. 5. LOGICAL MINING UNIT (LMU)** - The lands contained in the original lease are included in the East Mountain LMU, UTU-73336 effective December 23, 1986. Within 30 days after the effective date of this lease modification, the Lessee shall amend its East Mountain Logical Mining Unit to include the 50.00 acres added to Coal Lease UTU-06039 by this modification. The modified land shall be segregated into another Federal coal lease should the Lessee fail to file such an amendment.

The stipulations established in an LMU approval in effect at the time of LMU approval or modification will supersede the relevant inconsistent terms of this lease so long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

**Sec. 6. DOCUMENTS, EVIDENCE AND INSPECTION** - At such times and in such form as Lessor may prescribe, Lessee shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee shall keep open at all reasonable times for the inspection of any duly authorized officer of Lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall allow Lessor access to and copying of documents reasonably necessary to verify Lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Action (5 U.S.C. 552).

**Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS** - Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee shall not conduct exploration operations, other than casual use, without an approved exploration plan. All exploration plans prior to the

commencement of mining operations within an approved mining permit area shall be submitted to the authorized officer.

Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and prevention of waste, damage or degradation any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land uses or users. Lessee shall take measures deemed necessary by Lessor to accomplish the intent of this lease term. Such measures may include, but not limited to, modification to proposed siting or design of facilities, timing of operations, and specifications of interim and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder and approving easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of Lessee as may be consistent with concepts of multiple use and multiple mineral development.

**Sec. 8. PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY** - Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither Lessee nor Lessee's subcontractors shall maintain segregated

facilities.

#### **Sec. 9.(a) TRANSFERS**

(Check the appropriate space)

☒ This lease may be transferred in whole or in part to any person, association or corporation qualified to hold such lease interest.

☐ This lease may be transferred in whole or in part to another public body, or to a person who will mine the coal on behalf of, and for the use of, the public body or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.

☐ This lease may only be transferred in whole or in part to another small business qualified under 13 CFR 121.

Transfers of record title, working or royalty interest must be approved in accordance with the regulations.

(b) **RELINQUISHMENTS** - The Lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon Lessor's acceptance of the relinquishment, Lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

**Sec. 10. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC.** - At such times as all portions of this lease are returned to Lessor, Lessee shall deliver up to Lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all workings in condition for suspension or abandonment. Within 180 days thereof, Lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the Lessor, but Lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the Lessor. If the surface is owned by third parties, Lessor shall waive the requirement for removal,

provided the third parties do not object to such waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by Lessee's activity or activities incidental thereto, and reclaim access roads or trails.

**Sec. 11. PROCEEDINGS IN CASE OF DEFAULT -**

If Lessee fails to comply with applicable laws, existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the Lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by Lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

**Sec. 12. HEIRS AND SUCCESSORS - IN-**

**INTEREST** - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall insure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

**Sec. 13. INDEMNIFICATION** - Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the Lessee's activities and operations under this lease.

**Sec. 14. SPECIAL STATUTES** - This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1151 - 1175); the Clean Air Act (42 U.S.C. 1857 et seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.)

**Sec. 15. SPECIAL STIPULATIONS -**

1. The Regulatory Authority shall mean the State Regulatory Authority pursuant to a cooperative agreement approved under 30 CFR Part 745 or in the absence of a cooperative agreement, Office of Surface Mining. The authorized officer shall mean the State Director, Bureau of Land Management. The authorized officer of the Surface Management Agency shall mean the Forest Supervisor, Forest Service. Surface Management Agency for private surface is the Bureau of Land Management. For adjoining private lands with Federal minerals and which primarily involve National Forest Service issues, the Forest Service will have the lead for environmental analysis and, when necessary, documentation in an environmental assessment or environmental impact statement.



2. The authorized officers, of the Bureau of Land Management, Office of Surface Mining (Regulatory Authority), and the Surface Management Agency (Forest Service) respectively, shall coordinate, as practical, regulation of mining operations and associated activities on the lease area.

3. In accordance with Sec. 523(b) of the "Surface Mining Control and Reclamation Act of 1977," surface mining and reclamation operations conducted on this lease are to conform with the requirements of this Act and are subject to compliance with Office of Surface Mining Regulations, or as applicable, a Utah program equivalent approved under cooperative agreement in accordance with Sec. 523(c). The United States Government does not warrant that the entire tract will be susceptible to mining.

4. Federal Regulations 43 CFR 3400 pertaining to Coal Management make provisions for the Surface Management Agency, the surface of which is under the jurisdiction of any Federal agency other than the Department of Interior, to consent to leasing and to prescribe conditions to insure the use and protection of the lands. All or part of this lease contain lands the surface of which are managed by the United States Department of Agriculture, Forest Service Manti-LaSal National Forest.

The following stipulations pertain to the lessee responsibility for mining operations on the lease area and on adjacent areas as may be specifically designated on National Forest System lands.

5. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a cultural resource inventory and a paleontological appraisal of the areas to be disturbed. These studies shall be conducted by qualified professional cultural resource specialists or qualified paleontologists, as appropriate, and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified cultural or paleontological resources.

If cultural resources or paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee prior to disturbance shall, immediately bring them to the attention of the appropriate authorities. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.

The cost of conducting the inventory, preparing reports, and carrying out mitigating measures shall be borne by the lessee.

6. If there is reason to believe that Threatened or Endangered (T&E) species of plants or animals, or migratory bird species of high Federal interest occur in the area, the Lessee shall be required to conduct an intensive field inventory of the area to be disturbed and/or impacted. The inventory shall be conducted by a qualified specialist and a report of findings will be prepared. A plan will be prepared making recommendations for the protection of these species or action necessary to mitigate the disturbance.

The cost of conducting the inventory, preparing reports, and carrying out mitigating measures shall be borne by the lessee.

7. The Lessee shall be required to perform a study to secure adequate baseline data to quantify the existing surface resources on and adjacent to the lease area. Existing data may be used if such data are adequate for the intended purposes. The study shall be adequate to locate, quantify, and demonstrate the interrelationship of the geology, topography, surface and ground water hydrology, vegetation and wildlife. Baseline data will be established so that future programs of observation can be incorporated at regular intervals for comparison.

8. Powerlines used in conjunction with the mining of coal from this lease shall be constructed so as to provide adequate protection for raptors and other large birds. When feasible, powerlines will be located at least 100 yards from public roads.



9. The limited area available for mine facilities at the coal outcrop, steep topography, adverse winter weather, and physical limitations on the size and design of the access road, are factors which will determine the ultimate size of the surface area utilized for the mine. A site specific environmental analysis will be prepared for each new mine site development and for major modifications to existing developments to examine alternatives and mitigate conflicts.

10. Consideration will be given to site selection to reduce adverse visual impacts. Where alternative sites are available, and each alternative is technically feasible, the alternative involving the least damage to the scenery and other resources shall be selected. Permanent structures and facilities will be designed, and screening techniques employed, to reduce visual impacts, and where possible achieve a final landscape compatible with the natural surroundings. The creation of unusual, objectionable, or unnatural land forms and vegetative landscape features will be avoided.

11. The lessee shall be required to establish a monitoring system to locate, measure, and quantify the progressive and final effects of underground mining activities on the topographic surface, underground and surface hydrology and vegetation. The monitoring system shall utilize techniques which will provide a continuing record of change over time and an analytical method for location and measurement of a number of points over the lease area. The monitoring shall incorporate and be an extension of the baseline data.

12. The lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal handling and storage facilities. On Forest Development Roads (FDR), lessees may perform their share of road maintenance by a commensurate share agreement if a significant degree of traffic is generated that is not related to their activities.

13. Except at specifically approved locations, underground mining operations shall be conducted in such a manner so as to prevent surface subsidence that would: (1) cause the creation of hazardous conditions such as potential escarpment failure and landslides, (2) cause damage to existing surface structures, or (3) damage or alter the flow of perennial streams. The lessee shall provide specific measures for the protection of escarpments, and determine corrective measures to assure that hazardous conditions are not created.

14. In order to avoid surface disturbance on steep canyon slopes and to preclude the need for surface access, all surface breakouts for ventilation tunnels shall be constructed from inside the mine, except at specifically approved locations.

15. If removal of timber is required for clearing of construction sites, etc., such timber shall be removed in accordance with the regulations of the surface management agency.

16. The coal contained within, and authorized for mining under this lease, shall be extracted only by underground mining methods.

17. Existing Forest Service owned or permitted surface improvements will need to be protected, restored, or replaced to provide for the continuance of current land uses.

18. In order to protect big game wintering areas, elk calving and deer fawning areas, sagegrouse strutting areas, and other critical wildlife habitat and/or activities, specific surface uses outside the mine development area may be curtailed during specific periods of the year.

19. Support facilities, structures, equipment, and similar developments will be removed from the lease area within 2 years after the final termination of use of such facilities. This provision shall apply unless the requirement of Section 10 of the lease form is applicable. Disturbed areas and those areas previously occupied by such facilities will be stabilized and rehabilitated, drainages reestablished, and the areas returned to a premining land use.

20. The Lessee at the conclusion of the mining operation, or at other times as surface disturbance related to mining may occur, will replace all damaged, disturbed, or displaced corner monuments (section corners, quarter corners, etc.) their accessories and appendages (witness trees, bearing trees, etc.), or restore them to their original condition and location, or at other locations that meet the requirements of the rectangular surveying system. This work shall be conducted at the expense of the Lessee, by a professional land surveyor registered in the State of Utah and to the standards and guidelines found in the Manual of Surveying Instructions, U.S. Department of Interior.

21. The Lessee, at his expense, will be responsible to replace any surface and/or developed ground water sources identified for protection, that may be lost or adversely affected by mining operations, with water from an alternate source in sufficient quantity and quality to maintain existing riparian habitat, fishery habitat, livestock and wildlife use, or other land uses (authorized by 36 CFR 251).

22. The Licensee/Permittee/Lessee must comply with all the rules and regulations of the Secretary of Agriculture set forth at Title 36, Chapter II, of the Code of Federal Regulations governing the use and management of the National Forest System (NFS) when not inconsistent with the rights granted by the Secretary of the Interior in the license/permit/lease. The Secretary of Agriculture's rules and regulations must be complied with for (1) all use and occupancy of the NFS prior to approval of a permit/operation plan by the Secretary of Interior, (2) uses of all existing improvements, such as Forest Development Roads, within and outside the area licensed, permitted or leased by the Secretary of Interior, and (3) use and occupancy of the NFS not authorized by a permit/operation plan approved by the Secretary of the Interior.

All matters related to this stipulation are to be addressed to:

Forest Supervisor  
Manti-LaSal National Forest  
599 West Price River Drive  
Price, Utah 84501

Telephone No.: 801-637-2817

who is the authorized representative of the Secretary of Agriculture.

23. Notwithstanding the approval of a resource recovery and protection plan by the BLM, lessor reserves the right to seek damages against the operator/lessee in the event (i) the operator/lessee fails to achieve maximum economic recovery [as defined at 43 CFR §3480.0-5(21)] of the recoverable coal reserves or (ii) the operator/lessee is determined to have caused a wasting of recoverable coal reserves. Damages shall be measured on the basis of the royalty that would have been payable on the wasted or unrecovered coal.

The parties recognize that under an approved R2P2, conditions may require a modification by the operator/lessee of that plan. In the event a coal bed or portion thereof is not to be mined or is rendered unminable by the operation, the operator shall submit appropriate justification to obtain approval by the AO to leave such reserves unmined. Upon approval by the AO, such coal beds or portions thereof shall not be subject to damages as described above. Further, nothing in this section shall prevent the operator/lessee from exercising its right to relinquish all or a portion of the lease as authorized by statute and regulation.

In the event the AO determines that the R2P2 as approved will not attain MER as the result of changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a modification if necessary, identifying additional reserves to be mined in order to attain MER. Upon a final administrative or judicial ruling upholding such an ordered modification, any reserves left unmined (wasted) under that plan will be subject to damages as described in the first paragraph under this section.

Subject to the right to appeal hereinafter set forth, payment of the value of the royalty on such unmined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered unminable or at such time that the lessee has demonstrated an unwillingness to extract the coal.

The BLM may enforce this provision either by issuing a written decision requiring payment of the MMS demand for such royalties, or by issuing a notice of non-compliance. A decision or notice of non-compliance issued by the lessor that payment is due under this stipulation is appealable as allowed by law.

24. **WASTE CERTIFICATION:** The lessee shall provide upon abandonment and/or sealing off a mined area and prior to lease termination/relinquishment, certification to the lessor that, based upon a complete search of all the operator's records for the mine and upon their knowledge of past operations, there has been no **hazardous substances** per (40 CFR 302.4) or **used oil** as per Utah State Management Rule R-315-15, deposited within the lease, either on the surface or underground, or that all remedial action necessary has been taken to protect human health and the environment with respect to any such substances remaining on the property. The back-up documentation to be provided shall be described by the lessor prior to the first certification and shall include all documentation applicable to the Emergency Planning and Community Right-to-know Act (EPCRA, Public Law 99-499), Title III of the Superfund Amendments and Reauthorization Act of 1986 or equivalent.

25. **UNDERGROUND INSPECTION:** All safe and accessible areas shall be inspected prior to being sealed. The lessee shall notify the Authorized Officer in writing 30 days prior to the sealing of any areas in the mine and state the reason for closure. Prior to seals being put into place, the lessee shall inspect the area and document any equipment/machinery, hazardous substances, and used oil that is to be left underground. The Authorized Officer may participate in this inspection. The purpose of this inspection will be: (1) to provide documentation for compliance with 42 U.S.C. 9620 section 120(h) and State Management Rule R-315-15, and to assure that certification will be meaningful at the time of lease relinquishment, (2) to document the inspection with a mine map showing location of equipment/machinery (model, type of fluid, amount remaining, batteries etc.) that is proposed to be left underground. In addition, these items will be photographed at the lessee's expense and shall be submitted to the Authorized Officer as part of the certification. The abandonment of any equipment/machinery shall be on a case by case basis and shall not be accomplished unless the Authorized Officer has granted a written approval. Any on-lease disposal of non-coal waste must comply with 30 CFR § 817.89.

26. Due to the uncertainty of the amount of recoverable coal tons in this modification and the uncertainty in mining conditions, the lessee will pay the fair market value (FMV) for the coal resources mined in the area of Federal Coal Lease Modification (U-06039) at the rate of \$0.25 per ton for the actual tonnage mined. Payment of FMV at the specified rate and tonnage mined will be on the schedule required for payment of production royalties to the Minerals Management Service (MMS). The lessee will clearly indicate which portion of the payment is for royalty and what is for lease bonus payment.

MODIFIED COAL LEASE UTU-06039

The United States of America

**PacifiCorp**

Company or Lessee Name

Dan R. Baker  
(Signature of Lessee)

Dan R. Baker, Vice President

(Title)

February 1, 1999

(Date)

By

[Signature]  
(Signing Officer)

Group Leader  
Minerals Adjudication Group

(Title)

**FEB 1 1 1999**

(Date)

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

BOND NUMBER: 400 JV 3713  
UNDER LEASE FOR MINING COAL  
DEPOSITS: EAST MOUNTAIN LMU (VS.)

RIDER

EXECUTED IN 3 COUNTERPARTS

To be attached to Bond No. 400 JV 3713 issued by  
ST. PAUL FIRE AND MARINE INSURANCE COMPANY

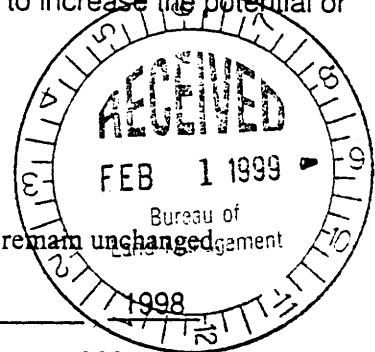
(As Surety) in the amount of Three Million Two Hundred Fifty Three Thousand and 00/100  
----- (\$ 3,253,000.00 )

Dollars, effective the 1st day of July, 1994

ON BEHALF OF PACIFICORP

IN FAVOR OF UNITED STATES OF AMERICA (U.S.D.I. BUREAU OF LAND MANAGEMENT)

In consideration of the premium charged for the attached bond, it is mutually understood and agreed by the Principal and the Surety that: In accordance with Decision dated December 21, 1998, proposed modification of coal lease U-06039 filed in office of Obligee on May 12, 1998, including certain lands in Emery County, Utah,, containing 50.00 acres, shall be covered by this bond as provided by said modified lease, a copy of which is incorporated herein by reference as fully as if attached hereto. PROVIDED, HOWEVER: this rider shall not act to increase the potential or cumulative liability of the Surety above the face amount of the bond as shown above.



All other items, limitations and conditions of said bond except as herein expressly modified shall remain unchanged.

This rider shall be effective as of the 21st day of December

Signed, sealed and dated this the 27th day of January, 1999

PACIFICORP D. R. Baker  
Principal

BY: DAN R. BAKER, VICE PRESIDENT

[Signature]  
USD BUREAU OF LAND MANAGEMENT, Obligee

[Signature]  
Group Leader  
Date Minerals Adjudication Group

Accepted: FEB 1 1999

ST. PAUL FIRE AND MARINE INSURANCE  
COMPANY

[Signature]  
Surety  
BY: Muriel M. van Veen  
Attorney-in-Fact

**Application for Third Modification of  
Federal Coal Lease U-06039  
By PacifiCorp March 16, 2001**

## **ATTACHMENT 2**

**DOGM Permit # ACT/015/018 Deer Creek Mine  
to  
Include Northern Rilda Canyon Leases  
Dated 7/15/97**

FEDERAL

PERMIT  
Permit Number ACT/015/018

July 15, 1997

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
1594 West North Temple, suite 1210  
Salt Lake City, Utah 84114-1210  
(801) 538-5340

This permit, ACT/015/018, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (Division) to:

PacifiCorp  
201 South Main Street  
Salt Lake City, Utah 84140-0021  
(801-220-4618)

for the Deer Creek Mine. A Surety Bond is filed with the Division in the amount of \$2,500,000, payable to the State of Utah, Division of Oil, Gas and Mining and the Office of Surface Mining Reclamation and Enforcement (OSM). The Division must receive a copy of this permit signed and dated by the permittee.

**Sec. 1 STATUTES AND REGULATIONS** - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

**Sec. 2 PERMIT AREA** - The permittee is authorized to conduct underground coal mining activities on the following described lands within the permit area at the Deer Creek Mine, situated in the state of Utah, Emery County:

The area to be mined is contained on the USGS 7.5-minute "Red Point", "Rilda" and "Mahogany Point" quadrangle maps. The areas contained in the permit area, approximately 17,000 acres, involve all or part of the following federal, state, and fee coal leases:

Lease No. SL-064607-064621  
Issued to Clara Howard Miller 10/4/46  
Township 17 South, Range 7 East, SLM, Utah  
Containing 613.92 acres

Section 2: Lots 2, 5, 6, 7, 10, 11 and 12 and SW1/4  
Section 3: SE1/4 SE1/4  
Section 10: NE1/4

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Lease No. SL-064900  
Issued to Cyrus Wilberg 2/3/45  
Township 17 South, Range 7 East, SLM, Utah  
Containing 160 acres  
Section 22: SE1/4 SW1/4, SW1/4 SE1/4, NE1/4 SW1/4, NW1/4 SE1/4

Lease No. U-1358  
Issued to Castle Valley Mining Co. 8/1/67  
Township 17 South, Range 7 East, SLM, Utah  
Containing 320 acres  
Section 22: S1/2 NW1/4, W1/2 SW1/4, E1/2 SE1/4  
Section 27: E1/2 NE1/4

Lease No. SL-070645, U-02292  
Issued to Clara Howard Miller 4/1/52  
Township 17 South, Range 7 East, SLM, Utah  
Containing 2560 acres  
Section 4: SW1/4 SE1/4, S1/2 SW1/4  
Section 5: SE1/4 SW1/4, S1/2 SE1/4  
Section 8: E1/2, E1/2 W1/2  
Section 9: All  
Section 10: W1/2  
Section 15: N1/2  
Section 16: N1/2  
Section 17: NE1/4, E1/2 NW1/4

Lease No. U-084923  
Issued to Malcolm N. McKinnon 8/1/64  
Township 17 South, Range 7 East, SLM, Utah  
Containing 2252.42 acres  
Section 4: Lots 2, 3, 4, 5, 6, 7, 10, 11, 12, NW1/4 SE1/4, N1/2 SW1/4  
Section 5: Lots 1 thru 12, N1/2 S1/2, SW1/4 SW1/4  
Section 6: Lots 1 thru 11, SE1/4  
Section 7: Lots 1 thru 4, E1/2  
Section 8: W1/2 W1/2  
Section 17: W1/2 NW1/4  
Section 18: Lots 1 and 2, N1/2



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Lease No. U-084924  
Issued to Malcolm N. McKinnon 8/1/64  
Township 17 South, Range 6 East, SLM, Utah  
Containing 1211.48 acres  
Section 1: Lots 1, 2, 3, S1/2 NE1/4, SE1/4 NW1/4, E1/2 SW1/4, SE1/4  
Section 12: E1/2, E1/2 W1/2  
Section 13: NE1/4, E1/2 NW1/4

Lease No. U-083066  
Issued to Cooperative Security Corp. 3/1/62  
Township 17 South, Range 6 East, SLM, Utah  
Containing 2485 acres  
Section 13: E1/2 SW1/4, SE1/4  
Section 24: E1/2 W1/2, E1/2  
Section 25: N1/2 NE1/4

Township 17 South, Range 7 East, SLM, Utah  
Section 17: SW1/4, W1/2 SE1/4  
Section 18: Lots 3 and 4, SE1/4  
Section 19: Lots 1, 2, 3, 4, E1/2  
Section 20: W1/2, W1/2 E1/2  
Section 29: NW1/4 NE1/4, N1/2 NW1/4  
Section 30: Lots 1, 2, 3, N1/2 NE1/4, SW1/4 NE1/4, NW1/4 SE1/4

Lease No. U-040151  
Issued to Cooperative Security Corp. 3/1/62  
Township 17 South, Range 7 East, SLM, Utah  
Containing 1720 acres  
Section 15: SW1/4  
Section 16: S1/2  
Section 17: E1/2 SE1/4  
Section 20: E1/2 E1/2  
Section 21: All  
Section 22: N1/2 NW1/4  
Section 27: N1/2 NW1/4  
Section 28: N1/2 N1/2  
Section 29: NE1/4 NE1/4

Lease No. U-044025  
Issued to Cooperative Security Corp. 8/1/60  
Township 17 South, Range 7 East, SLM, Utah  
Containing 40 acres  
Section 27: NW1/4 NE1/4

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Lease No. U-024319  
Issued to Huntington Corp. 5/1/60  
Township 16 South, Range 7 East, SLM, Utah  
Containing 1040 acres

Section 27: SW1/4  
Section 28: SE1/4  
Section 33: E1/2, E1/2 NW1/4, NE1/4 SW1/4, S1/2 SW1/4  
Section 34: NW1/4, NW1/4 SW1/4

Lease No. U-014275  
Issued to John Helco 10/1/55  
Township 16 South, Range 7 East, SLM, Utah  
Containing 80 acres  
Section 28: E1/2 SW1/4

Lease No. U-47979  
Issued to Utah Power & Light Co. 10/1/81  
Containing 1,063.38 acres, more or less  
Township 16 South, Range 7 East, SLM, Utah  
Section 34: S1/2 NE1/4, NE1/4 SW1/4, S1/2 SW1/4, SE1/4  
Township 17 South, Range 7 East, SLM, Utah  
Section 3: Lots 1 thru 8, 10 thru 12, SW1/4, SW1/4 SE1/4  
Section 4: Lots 1, 8, 9, E1/2 SE1/4

Lease No. U-47977  
Township 16 South, Range 7 East, SLBM  
Containing 640 acres  
Section 32: All

Lease No. SL-050862 (consolidated to include U-24069 and U-24070)  
Township 16 South, Range 7 East, SLBM  
Containing 280 acres

Section 28: W1/2 SW1/4  
Section 29: E1/2 SE1/4  
Section 33: W1/2 NW1/4, NW1/4 SW1/4

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Lease No. U-06039  
Containing 1402.97 acres  
Issued to Ferdinand Hintze, 5/1/53  
Township 16 South, Range 7 East, SLBM  
Section 19: SE1/4  
Section 20: S1/2  
Section 29: N1/2, SW1/4, W1/2 SE1/4  
Section 30: NE1/4, SE1/4 and Lot 4  
Township 16 South, Range 6 East, SLBM  
Section 25: E1/2SE1/4SE1/4

Lease No. U24317  
Issued to Huntington Corp., 5/1/58  
Containing 400 acres  
Township 16 South, Range 7 East, SLBM  
Section 20: S1/2NE1/4  
Section 21: S1/2NW1/4, S1/2NE1/4, SW1/4

Lease No. U-2810  
Issued to John Helco, 10/1/67  
Containing 80 acres  
Township 16 South, Range 7 East, SLBM  
Section 28: E1/2NW1/4

Lease No. SL-051221  
Issued to Rulon Jeppson, 11/5/34  
Containing 80 acres  
Township 16 South, Range 7 East, SLBM  
Section 28: W1/2NW1/4

Lease No. U-7653  
Township 16 South, Range 7 East, SLBM  
Containing 411.6 acres  
Section 31: All

OWNERS OF COAL TO BE MINED OTHER THAN THE UNITED STATES

State Lease ML-22509  
Township 16 South, Range 6 East, SLBM  
Containing 640 acres  
Section 36: All

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The Estate of Malcolm McKinnon  
Zions First National Bank, Trustee, Salt Lake City, Utah 84111  
Township 17 South, Range 7 East, SLM, Utah  
Section 10: SE1/4  
Section 11: W1/2 W1/2, NE1/4 NW1/4  
Section 14: W1/2 NW1/4

Cooperative Security Corp.  
115 East South Temple, Salt Lake City, Utah 84111  
Township 17 South, Range 7 East, SLM, Utah  
Section 15: SE1/4  
Section 22: NE1/4

Fee Leases held by Utah Power & Light  
Patent No. 523194, containing 40 acres  
Township 16 South, Range 7 East, SLM, Utah  
Section 22: SW1/4NW1/4

Patent No. 523192, containing 160 acres  
Township 16 South, Range 7 East, SLM, Utah  
Section 22: SW1/4

Patent No. 523204, containing 80 acres  
Township 16 South, Range 7 East, SLM, Utah  
Section 28: N1/2NE1/4

Patent No. 523201, containing 160 acres  
Township 16 South, Range 7 East, SLM, Utah  
Section 21: SE1/4

Also:

Beginning at the SE corner of NE1/4 SE1/4 Section 25, T17S, R6E, SLM,  
thence North 160 rods, West 116 rods to center line of Cottonwood Creek;  
thence southerly along center line of said creek to a point 84 rods West of  
the beginning; thence East 84 rods to the beginning.

The above listed surface rights and coal owned or leased by PacifiCorp,  
successor in interest to Utah Power & Light Company.

Township 17 South, Range 7 East, SLM, Utah  
Section 14: SW1/4 (West of the Deer Creek Fault)

ADDITIONAL LANDS TO BE AFFECTED BY MINING

Township 17 South, Range 7 East, SLM, Utah  
State of Utah Special Use Lease Agreement No. 284 utilized for conveyor and power line right-of-ways located in the southeast quarter of Section 2

Township 17 South, Range 8 East, SLM, Utah  
PacifiCorp fee land (successor to Utah Power & Light Company) utilized for a Waste Rock Disposal Site located within Lots 4 and 5 of Section 5 and Lot 1 and the Southeast quarter of the Northeast quarter of Section 6

This legal description is for the permit area of the Deer Creek Mine. The permittee is authorized to conduct underground coal mining activities and related surface activities on the foregoing described property subject to the conditions of all applicable conditions, laws and regulations.

- Sec. 3 COMPLIANCE** - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.
- Sec. 4 PERMIT TERM** - This permit is effective July 15, 1997, and expires on February 7, 2001.
- Sec. 5 ASSIGNMENT OF PERMIT RIGHTS** - The permit rights may not be transferred, assigned or sold without the approval of the Division Director. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13{e} and R645-303-300.
- Sec. 6 RIGHT OF ENTRY** - The permittee shall allow the authorized representative of the Division, including but not limited to inspectors, and representatives of the Office of Surface Mining Reclamation and Enforcement (OSM), without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:
- (a) have the rights of entry provided for in 30 CFR 840.12, R645-400-220, 30 CFR 842.13 and R645-400-110;

- (b) be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and R645-400-200 when the inspection is in response to an alleged violation reported to the Division by the private person.

**Sec. 7 SCOPE OF OPERATIONS** - The permittee shall conduct underground coal mining activities only on those lands specifically designated as within the permit area on the maps submitted in the approved plan and approved for the term of the permit and which are subject to the performance bond.

**Sec. 8 ENVIRONMENTAL IMPACTS** - The permittee shall take all possible steps to minimize any adverse impact to the environment or public health and safety resulting from noncompliance with any term or condition of the permit, including, but not limited to:

- (a) Any accelerated or additional monitoring necessary to determine the nature and extent of noncompliance and the results of the noncompliance;
- (b) immediate implementation of measures necessary to comply; and
- (c) warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

**Sec. 9 DISPOSAL OF POLLUTANTS** - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

**Sec. 10 CONDUCT OF OPERATIONS** - The permittee shall conduct its operations:

- (a) in accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and
- (b) utilizing methods specified as conditions of the permit by the Division in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

- Sec. 11 EXISTING STRUCTURES** - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.
- Sec. 12 RECLAMATION FEE PAYMENTS** - The operator shall pay all reclamation fees required by 30 CFR Part 870 for coal produced under the permit, for sale, transfer or use.
- Sec. 13 AUTHORIZED AGENT** - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.
- Sec. 14 COMPLIANCE WITH OTHER LAWS** - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq.) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.
- Sec. 15 PERMIT RENEWAL** - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit in accordance with the Act, the approved Utah State Program and the Federal Lands Program.
- Sec. 16 CULTURAL RESOURCES** - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify the Division of Oil, Gas, and Mining. The Division, after coordination with OSM, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by the Division within the time frame specified by the Division.
- Sec. 17 APPEALS** - The permittee shall have the right to appeal as provided for under R645-300-200.
- Sec. 18 SPECIAL CONDITIONS** - There are special conditions associated with this permitting action as described in attachment A.

The above conditions (Secs. 1-18) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions

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in the contracts between and among them. These conditions may be revised or amended, in writing, by the mutual consent of the Division and the permittee at any time to adjust to changed conditions or to correct an oversight. The Division may amend these conditions at any time without the consent of the permittee in order to make them consistent with any federal or state statutes and any regulations.

THE STATE OF UTAH

By: 

Date: July 16, 1997

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.



Authorized Representative of  
the Permittee

Date: July 22, 1997



**Attachment A**

**SPECIAL CONDITIONS**

1. If during entry development, sustained quantities of groundwater are encountered which are greater than 5 gpm from a single source in an individual entry, and which continue after operational activities progress beyond the area of groundwater production, PacifiCorp must monitor these flows for quality and quantity under the approved baseline parameters.

PacifiCorp will notify the Division within 24 hours prior to initiation of said monitoring.

2. PacifiCorp must notify the Division within 14 days of the decision on the appeal<sup>F</sup> of outstanding cessation order 94-020-370-002, 1 of 1.
3. This special condition is for normal working circumstances and does not apply in an emergency situation: Vehicle access will not be allowed in Rilda Canyon from December 1 to April 15 for construction, maintenance and/or repair of the Rilda Canyon Surface Facilities without prior written approval from the Division. Access will be allowed to the Rilda Canyon Surface Facilities through the Deer Creek Mine portals.
4. Mining in the "North Rilda Lease" area is authorized to the extent that the Surface Managing agency (U. S. Forest Service) has provided consent, per letters dated July 3, 1997 and July 15, 1997 (attached.)
5. Mining within the Federal Leases U-06039, U-24317, U-2810, and SL-051221 (North Rilda Area) is conditioned upon receiving Federal Mining Plan approval.

**Application for Third Modification of  
Federal Coal Lease U-06039  
By PacifiCorp March 16, 2001**

## **ATTACHMENT 3**

**Correspondence from BLM Price Office to DOGM dated 7/16/97  
R<sup>2</sup>P<sup>2</sup> revisions for the Deer Creek Mine Permit Expansion into  
North Rilda area technically complete and in compliance with MLA of 1920,  
recommending approval of Deer Creek Mine permit expansion.**



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Moab District  
Price River/San Rafael Resource Area  
125 South 600 West  
P. O. Box 7004  
Price, Utah 84501

3482  
U-06039  
U-024317  
SL-051221  
U-2810  
(UT-066)

*July 16, 1997*

Pamela Grubaugh-Littig  
Permit Supervisor  
Department of Utah Natural Resources  
Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801

Re: Resource Recovery and Protection Plan (R2P2), PacifiCorp, Deer Creek Mine, Emery County, Utah

Dear Ms. Grubaugh-Littig

On May 16, 1997, the Bureau of Land Management (BLM) received from your office for our review/comments, PacifiCorp's response to technical deficiencies concerning the North Rilda area. Also, on July 2nd, we received from the Manti-LaSal National Forest (FS), PacifiCorp's revisions concerning:

- 1) the ground stability of the 4th North Mains crossing of the Right Fork Rilda Canyon; and
- 2) the Castlegate Escarpment statement of mining in the North Rilda area,

which was submitted to their office on the same date.

In addition to your request for BLM's review/comments, the FS has requested documentation of our findings concerning the location and entry stability of the proposed route (4th North Mains) accessing reserves of the Blind Canyon and Hiawatha coal seams in the North Rilda area.

As you may be aware, an approved R2P2 for the subject area is already in place. It is our understanding that PacifiCorp is now requesting to expand the current Deer Creek mining operation/mine permit area. In part, PacifiCorp seeks partial approval to afford a timely access into the North Rilda area in order to sustain the current level of longwall coal production.

According to the proposal, the 4th North Mains would access the reserves by advancing beyond the current permit boundary to the northern boundaries of Federal coal leases U-06039 and U-024317. Then, a series of east-west-oriented longwall panels would be developed along the east side of the Mains. These panels would be developed and sequentially extracted from the north to the south. PacifiCorp proposes to confine mine development at this time to the Blind Canyon coal seam and limit panel extraction to the four most northern panels.

Approval to complete extraction of the remaining panels in the Blind Canyon and Hiawatha Seams, which are developed under the Castlegate Escarpment, would be subject to the findings of the on-going Castlegate Escarpment Geotechnical Studies and number of other requirements made by the FS (archaeology survey, Spotted Bat survey, EA) on the affected areas.

BLM's findings regarding the 4th North Mains:

The projected access route into the North Rilda area is constrained by the Mill Fork Fault Zone to the west, a shallow overburden to the east, and a potential for the coal seam to pinch out in a westerly direction. These adverse geologic conditions more or less dictated the location of the access route and have precluded alternative routes into the subject area. The exact location of the 4th North Mains will be determined upon delineation of the Mill Fork Fault Zone or by the seam geology of the Blind Canyon Seam (insufficient seam height). PacifiCorp's intent is to explore the fault zone and seam geology by using either the continuous miner, in-mine drilling, surface drilling, or any combination of the three methodologies.

Subsequently, the access route will pass under an upland ephemeral stream in the right fork of the Rilda Canyon which has been designated by the Surface Managing Agency (SMA) as an important alluvial/hydrologic system and riparian zone. Due to the potential for surface impacts from subsidence, the SMA has restricted mining based on their concerns for the preservation of this hydrologic resource.

In efforts to ensure long-term stability of the underground excavation and to protect against surface impacts in the riparian zone, PacifiCorp has proposed the following mine design criteria:

- 1) Include, per SMA's request, a protective buffer zone of sufficient size to isolate the riparian zone from all potential effects of mining.
- 2) Utilize an entry/pillar configuration consisting of a 5-entry system with staggered crosscuts on 80x150-foot centers, with an entry width of 20 feet and entry height of 8 feet.
- 3) Provide secondary roof support, as needed, to maintain the long-term stability of the underground workings and to prevent/limit the potential of any future surface impacts.

Also, PacifiCorp has agreed to comply with the stipulated approval of the Minor Modification Request (The Proposed Location for the 4th North Mains off the 10th West Mains, North Rilda Canyon Reserve Access) dated February 13, 1997, from our office which states in part:

"PacifiCorp shall submit a written evaluation documenting entry and pillar stability for the Rilda Canyon Fork area. The specific areas to be addressed are the 4th North Mains in the Blind Canyon Seam and the access entries to the Hiawatha Seam reserve where the entries pass under the riparian zones, as illustrated on Enclosure 2. The evaluation shall determine whether additional secondary entry support is needed to prevent the occurrence of surface impact due to mining. The evaluation shall be submitted 60 calendar days prior to final abandonment of the North Rilda Canyon area. The evaluation shall be subject to BLM's approval based on verification of the reported documentation."

The BLM concurs with PacifiCorp on the following:

We find the requested "riparian buffer zone" to be of sufficient size. It has been designed using a 15° "angle-of-draw"/"angle-of-influence" calculated from the Hiawatha Seam to delineate the zone. The referenced 15° "angle-of-draw" is an industry/agency-accepted standard, based on full extraction mining. In addition, PacifiCorp's mining experience at the Deer Creek, Trail Mountain and Cottonwood Mines over the last 20 years provides a sound basis for the design criteria. Furthermore, the area has been restricted to first mining, making the required buffer zone a moot issue.

In regard to the location and long-term stability of the 4th North Mains:

1) We recognize PacifiCorp's difficulty in determining the best location for the 4th North Mains and feel that an attempt to locate the Mill Fork fault zone by means of exploring with a continuous miner will not impact the surface or affect the hydrologic regime. However, it will provide data for maximizing recovery of the coal resource.

2) PacifiCorp, at the request of the SMA, provided step-by-step calculations to illustrate how the factor of safety was calculated for the coal pillars and entry opening. The safety factors were calculated by using **standard industry-accepted equations**. The calculated safety factors for pillar stability and entry opening are in the range of 3.57 to 23.94 and 4.92, respectively. In standard industry practice, safety factors used to define stable conditions and long-term stable conditions are 1 and 1.5 to 2, respectively. It is evident that PacifiCorp is well beyond the acceptable values for long-term stability.

Finally, approval for full-extraction (longwall) mining under the Castlegate Escarpment will be based on:


- 1) the **Castlegate Escarpment studies** provided by PacifiCorp; and
- 2) an **objective environmental analysis** of the affected resources by the SMA,

prior to BLM's determination.

The BLM has reviewed the proposed R2P2 Revisions/Deer Creek Mine Permit Expansion and all available information concerning the mining of the subject area. The BLM has determined that PacifiCorp's R2P2 for the Deer Creek Mine appears to be a logical and prudent mine plan. It is technically complete and complies with the Mineral Leasing Act of 1920, as amended, the regulations at 43 CFR 3480, the lease terms and conditions, and will achieve maximum economic recovery of the Federal coal. Therefore, we recommend approval of the proposed Deer Creek Mine permit expansion.

If you have any questions, please contact Barry Grosely in the Price River/San Rafael Resource Area at (801) 636-3606.

Sincerely,



Area Manager

cc: Manti-LaSal National Forest  
599 Price River Drive  
Price, Utah 84501